

Tariff Code Review

Your Guide To Lower Duties

Navigating Uncertainty in Global Trade

In times of trade wars and economic instability, importers face unpredictable tariff rates that can dramatically impact landed costs. When duties rise, being prepared with the right strategies can make the difference between maintaining profit margins and losing competitiveness.

One of the most effective — and often overlooked — strategies is tariff code review.

This guide explains how tariff code review works, when to apply it, and how real-world cases illustrate its power. Whether your business is launching new products or managing established imports, understanding this process helps you stay compliant while optimizing your duty exposure.

What Is a Tariff Code Review?

Every imported product is assigned a **10-digit code** from the **Harmonized Tariff Schedule (HTS)**, which determines its applicable duty rate.

A **tariff code review** is the legitimate process of re-evaluating how a product is classified within that system to ensure it is assigned the most accurate — and potentially most favorable — code.

In practical terms, this might involve:

- Reclassifying a “doll” as a “toy,” depending on its features
- Adjusting a product’s materials or design to meet criteria for a lower-duty category
- Consulting with experts early in product development to anticipate classification opportunities

Working with an experienced **customs broker and freight forwarder** is key to uncovering these opportunities. Ideally, the review begins during the **product design stage**, when changes can be implemented easily. However, established products can also benefit from retrospective reviews that ensure proper and efficient classification.

Learning from History: Three Cases of Tariff Code Review in Action

For as long as tariffs have existed, companies have found creative, lawful ways to interpret them. These historical examples demonstrate how strategic classification — backed by compliance and insight — can result in substantial savings.



■ Case 1. The Sugar Rates

In the late 1800s, U.S. import duties on sugar were color-based: darker, less refined sugars carried a lower duty rate than white sugar.

A clever importer realized that by adding molasses to tint their sugar brown, it would legally qualify for the lower duty rate. Because the tariff language specified “color” rather than “grade” or “quality,” the importer successfully reduced costs while staying within the law.

This case highlights how understanding the exact wording of tariff regulations can uncover legitimate savings opportunities.

■ Case 2. United States vs. Citroen (1912)

Bernard Citroen imported unstrung, pre-drilled pearls, described by customs as “jewelry” — resulting in a 60% duty rate. Citroen argued that unstrung pearls should be classified as raw materials, not finished jewelry, qualifying for a 10% rate.

After years of appeals, the court sided with Citroen, redefining how certain goods were classified and setting a precedent that still influences tariff reviews today.

This case underscores the importance of specific product descriptions and accurate classification based on actual condition, not intended use.

Case 3.

Ford Transit Connect

The U.S. imposes relatively high duties on cargo vans at 25%, compared to the 2.5% charged on passenger vans. This tenfold difference presented a significant financial burden on Ford Motor Company, and once again, the importer got creative.

The Transit Van, manufactured in Turkey, was equipped with features such as a second row of seats, footwells, and windows. These features classified the Transit (as imported) as a passenger van and subject to the more desirable 2.5% duty rate.

Here is where the creative part came in. Once the vehicles cleared customs, Ford employed a third-party facility to remove those features and modify the vehicles so they could be sold as cargo vans. The company calculated that the duty savings far outweighed the cost of the additional equipment and processing.

This approach worked for Ford, saving millions in duties, until 2013, when U.S. Customs and Border Protection (CBP) issued a ruling that the vans were actually cargo vans even though Ford imported them configured for passengers.

While the U.S. Court of International Trade sided with Ford, agreeing that they had applied legitimate tariff code review, the U.S. Court of Appeals disagreed, ruling that the tariff as written referred to the “intended use” of vehicles rather than their form at the time of importation.

As of 2019, Ford continues to appeal this ruling.



Key Takeaways: Smart Strategy, Not Shortcuts

Tariff code review is both an art and a science. It requires a deep understanding of the Harmonized Tariff Schedule, compliance regulations, and how product characteristics influence classification.

While not every reclassification will hold up under scrutiny, history proves that proactive reviews can yield major benefits when executed with expertise and transparency.

The Bottom Line

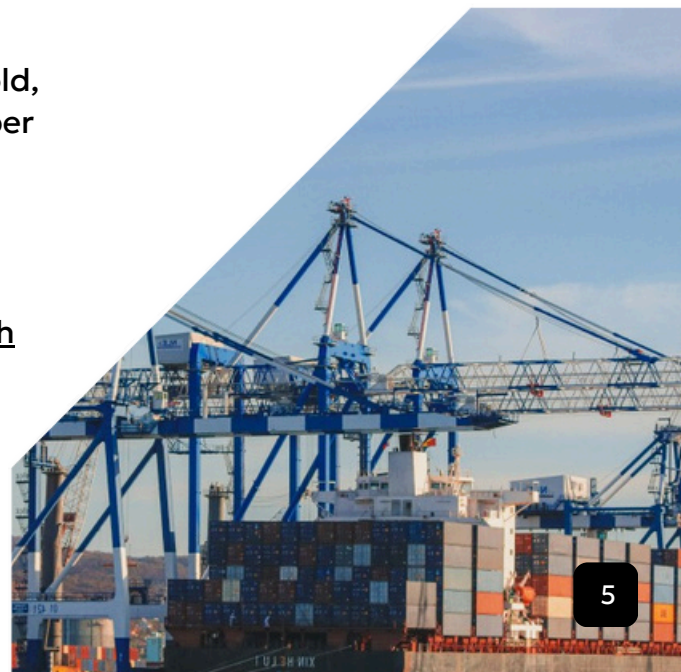
- **Collaborate early** with your customs broker and freight forwarder.
- **Document thoroughly** to ensure compliance with CBP standards.
- **Stay informed** about tariff updates that may affect your products.

Final Thoughts

The HTS code database is extensive and complex. While this case shows that not all tariff code reviews can be successfully defended as legitimate, it does not erase the savings Ford achieved until 2013, nor the potential savings it may still achieve should the decision be reversed by a higher court.

Though caution is always best, fortune favors the bold, especially when guided by an expert who takes proper care to remain compliant with U.S. Customs and Border Protection regulations.

If you would like to explore how tariff code review could benefit your business, [schedule a meeting with our team](#) to discuss your import strategy in more detail.



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